

Annual report | 1974

A century of service to Canadians

AR23

LONDON LIFE INSURANCE COMPANY

London Life

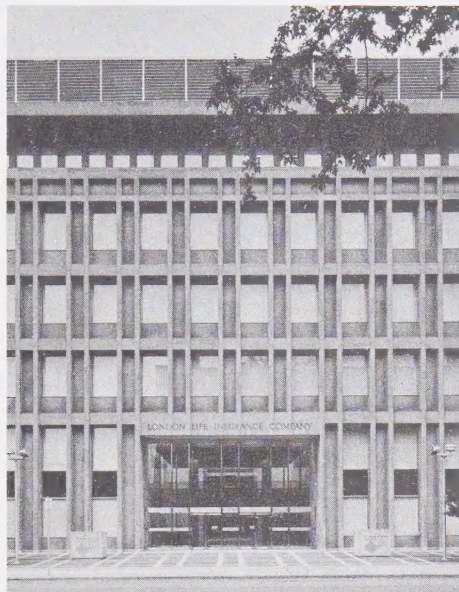
London Life



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1874 — 1974: entering our second century



London Life Insurance Company

Incorporated by special act under the
Laws of Canada

Head Office: 255 Dufferin Avenue,
London, Canada

Pour recevoir ce rapport annuel en français,
il suffit d'en faire la demande.

During its first century, London Life grew from a small company, serving a few families in the area of London, Ontario, into a major financial corporation meeting the needs of Canadians coast to coast.

In fact, London Life has grown to the point where it has become the largest all-Canadian life insurance company. Nevertheless, the company recognizes that the final yardstick is not the number of policies sold, but rather, the quality of service to individual clients.

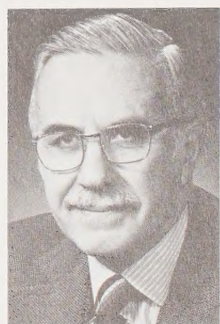
In this, our 100th annual report, we look back with pride. But we also look forward to our second century of operations and to the achievements which the next 100 years will bring.

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Directors

*Member of Executive Committee



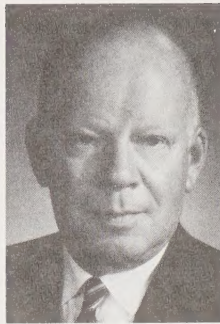
Joseph Jeffery,
O.B.E., Q.C.*
Chairman of the Board



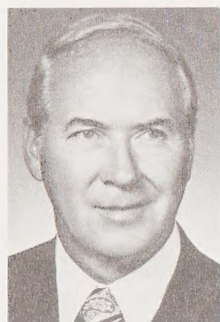
Alexander H.
Jeffery, Q.C.*
President



M. C. Pryce*
Executive Vice-President
and General Manager



Albert W. Anderson
Director



Alex E. Barron
Chairman
Canadian Tire
Corporation Limited



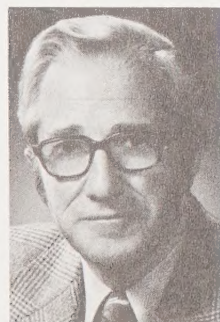
John B. Cronyn
Director
John Labatt Ltd.



Gordon D. Jeffery
Partner
Jeffery and Jeffery



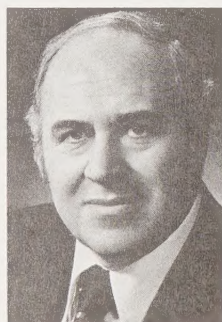
Allen T. Lambert
Chairman and
Chief Executive Officer
The Toronto-Dominion
Bank



Donald Smith
President
Ellis-Don Limited



J. Allyn Taylor*
Chairman
Canada Trust



John J. Wettlaufer
Dean
School of Business
Administration
University of
Western Ontario

Officers

Chairman of the Board
Joseph Jeffery, O.B.E., Q.C.

President
A. H. Jeffery, Q.C.

**Executive Vice-President
and General Manager**
M. C. Pryce

**Vice-President
and Deputy General Manager**
D. S. Rudd

Vice-President and Treasurer
G. L. Corneil

**Vice-President and
Executive Director of Marketing**
D. E. Creighton

Vice-President and Chief Actuary
L. B. Fewster

Vice-President and Executive Secretary
W. L. Pollard

Vice-President, Group
T. E. Reid

Secretary
H. M. Ballantyne



Joseph Jeffery

In 1874, London Life began its operations by serving a few families in London, Ontario, and the surrounding communities. At that time, life insurance was a fairly new idea in Canada. But the concept began to gain greater public acceptance, and the degree of this acceptance was reflected in the early growth of the company.

In the decades that followed, London Life built an enviable record. We survived through two world wars, the terrible influenza epidemic in 1918, the worst depression in history, and the expansion of governments into various fields of our operations. We gained strength by meeting these challenges successfully. We grew by introducing new benefits and improvements to meet the emerging needs of Canadians.

Clearly, in its first century London Life evolved into a major financial institution. We have become the largest all-Canadian life insurance company. We serve Canadians from coast to coast. We are one of the largest private lenders of mortgage funds in the nation. We have built up a wide range of products and services for people at all income levels. We provide individuals and their families with the assurance of financial security through individual insurance, group coverage and retirement contracts.

As we move forward, we will do our best to measure up to our ever-growing responsibilities. In this way, we can ensure that performance and progress in our second century will compare favorably with our first.

In this, our 100th annual report, it is appropriate that the financial statements have undergone considerable modification. The commentary within the statements has been reduced, and we now follow general corporate practice by providing further information in the form of notes to financial statements. Moreover, the balance sheet and income statement have been revised and a new statement of investment reserves and retained earnings has been included showing detail by participating business, non-participating business, the health branch and the shareholders' account.

Overall earnings from company operations in 1974 showed a significant improvement over 1973. Nevertheless, because of high sales volume, a loss has occurred once again within the participating branch but considerably reduced from the 1973 results. As explained in the notes to financial statements, London Life sets up "net level premium" reserves to recognize our actual practice in premium and dividend scales of amortizing initial expenses over the premium period of the policy. However, government statement accounting requires that acquisition expenses be put through the accounts in the year incurred. The insurance act permits a somewhat lower level of modified reserves which allow a deferral for one year of a portion of the impact of acquisition expenses. But the majority of Canadian companies follow our practice of setting up the stronger net level premium reserves, even though in times of high sales activity, the resulting investment in new business gives rise to a strain on earnings and retained earnings in the participating branch. The company continues to be in a strong financial position.

The non-participating branch showed excellent results this year with a substantial improvement over 1973. The major causes were exceptionally low mortality among non-participating policyowners together with higher interest returns on the fund. Also, despite inflation, we were able to stop the rise in our expense rates. The health branch again operated at a small profit.

The new staff pension plan has received wide acceptance among employees since its introduction two years ago. Under the final earnings formula, pension is based on earnings in the years immediately before

retirement, rather than on an employee's entire salary history while employed at London Life. However, the recent inflationary increase in earnings and rising incomes in the field from exceptional sales growth — in part due to inflation — have meant that our contributions, including amortization of initial unfunded liability, must remain at a high level.

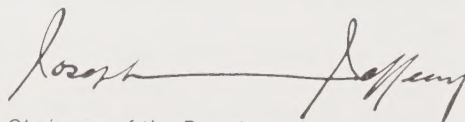
During the past year, meetings of the board of directors were held in Ottawa, Toronto, Hamilton, Regina, Winnipeg and Edmonton, in connection with the company's centennial birthday celebrations for the staff. Early in 1975, similar meetings are being held in Halifax and Victoria.

It is with deep regret that we report the death during the year of W. Bradley Granger, a member of the board of directors since 1961 and a member of the executive committee. Mr. Granger made an outstanding contribution to the board and his presence will be missed.

R. W. Peters, vice-president and executive director of marketing, retired early in 1975. Other retirements included E. W. Kennedy, claims executive; C. A. Naylor, senior actuary; and G. A. MacLachlan, insurance services executive. All four men rendered valuable service to the company during a period of outstanding growth.

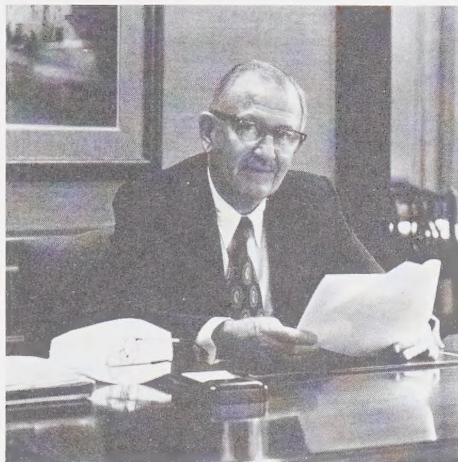
Several appointments were announced during the year. M. C. Pryce became a member of the executive committee, in addition to his duties as director and as executive vice-president and general manager. D. S. Rudd, formerly vice-president and chief actuary, became vice-president and deputy general manager, and the chief operating officer of the company. Appointed to the management committee were D. E. Creighton, vice-president and executive director of marketing, and L. B. Fewster, vice-president and chief actuary. Named as administrative officers were A. E. Bennett, director of marketing, district sales division; J. A. Mereu, actuary, product development; S. P. Geddes, insurance services executive; G. W. Morrow, claims services executive; and T. Orr, director of consumer affairs. D. A. Smith, formerly director of administration, marketing, was appointed director of marketing.

On behalf of the board, we would like to pay tribute to our capable and experienced staff. Thanks to their dedicated efforts, increasing volumes of work were handled without any corresponding increase in staff.



Chairman of the Board

Report of the President



A. H. Jeffery

Many advances were made during 1974 in streamlining our operations and improving our service and products for policyowners in a highly competitive marketplace.

To provide an increasingly efficient service for clients, in line with these objectives, we have been building a large computer resource during recent years. In the past, both the used and unused time had to be charged to the various company funds. Late in 1974, approval was given to the formation of LONLIFE Data Services Limited, a wholly-owned subsidiary that will offer data services to other corporations. In this way, the unused time can be sold to other companies, thus reducing our overhead cost and directly benefiting London Life clients.

Beginning late in 1974, policyowners who formerly mailed premium payments to regional offices began remitting payments directly to head office at London, Ontario. In addition, premium and loan payment reminders were automated. Substantial savings will be achieved through these new systems.

Announcement was made in last year's annual report concerning a commitment to install computer terminals in all our regional offices. During 1974 we completed installations in eight pilot offices in Southwestern Ontario. After an initial testing period, similar facilities will be provided in other offices across Canada during 1975. This will allow us to improve service for policyowners and representatives, while reducing costs.

Every department is examining its systems and methods of operation to see whether any are unnecessary or unproductive, and whether some could be eliminated. Improvements in productivity allowed us to reduce head and regional office staffs by almost 2% in 1974, despite higher volumes of work. Net turnover for each of the administrative staff and the marketing staff was just over 12%, an extremely low level by industry standards.

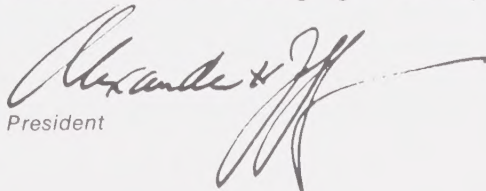
A system of job posting was introduced in 1973 to make all employees aware of openings up to and including division supervisor and regional office leader. In 1974, its first full year of operation, 340 employees were posted to other positions throughout the company.

A flexible hours program was introduced for head and regional office employees during the year. Under the plan, employees can select their hours of work to suit their personal preferences, within certain limits and the requirements of their jobs. The plan has been received enthusiastically by the staff and is working well.

In last year's annual report, we outlined how our company was participating in a real estate consortium in downtown Toronto. During 1974, the consortium examined various possibilities for redevelopment of the 11-acre site, which includes the historic College Street store of The T. Eaton Co. Limited. It now has been decided that redevelopment eventually will take the form of a multi-use facility, including a hotel, apartments, offices and stores.

Staff centennial celebrations were held in various cities during 1974 and early 1975. Employees also received an informal company history by Canadian author Robert Thomas Allen and have viewed a film about the company's human side.

As we embark on our second century, we have faith in our people, our company and our future. We know, from the record, that we have a habit of meeting challenges successfully. An indication of how London Life has evolved with the changing times is provided later in this report.


President

Report of Executive Vice-President and General Manager



M. C. Pryce

For the first time in our history, life insurance sales surpassed \$2 billion in a single year. By the end of 1974, volume reached \$2.2 billion, up 23% from 1973.

At the same time, the total amount of life insurance provided by London Life grew to the point where it was short of the \$17 billion level by only \$43 million. This means that even though London Life is only one of more than 150 life insurance companies operating in Canada, it accounts for close to 10% of the total life insurance coverage on Canadians. Another measure of our achievement is that while London Life took 70 years, after its founding in 1874, to reach the level of \$1 billion of insurance in force, the company added about twice that amount in the past year alone.

Inflation is, of course, partly responsible for today's higher sales levels. Unfortunately, inflation is also raising our costs of doing business. With this in mind, we are reviewing all procedures in all aspects of our operations, to see where economies can be achieved while maintaining our high levels of service. Some economies will be effected through further automation, others will be possible by consolidating procedures and enlarging still further the responsibilities of our experienced staff.

Sales of individual insurance policies amounted to \$1.7 billion, a new high and an increase of 18% over 1973. A total of 112,950 policies were sold, 750 more than in 1973. The average size policy rose substantially, from \$12,950 to \$15,100. Average premium per policy also rose, from \$170 to \$186. However, the average annual premium per \$1,000 of coverage fell, from \$13.15 to \$12.30.

The increase in average policy size partly explains the decrease in premium per \$1,000, as volume discounts generally are available for larger policies. Sales of Preferred Life Plans — which have a lower premium rate and which carry a minimum policy size of \$25,000 — rose over 77% to \$165 million. In addition, during a period of falling stock market prices, equity life insurance products lost some of their popularity. Sales of these relatively high premium, high savings policies fell 45% to \$68 million in 1974. Moreover, insurance sales were higher to females, particularly in the 20 to 29 age group; this group has lower mortality and therefore lower premiums.

Sales of insurance and annuity registered retirement plans have continued to grow, especially since 1972 when the new higher contribution limits came into effect. A new annuity plan was introduced at year end, especially to meet the needs of this market. The Retirement Accumulation Plan was designed to produce a higher early return for the policyowner, while maintaining an attractive long-term result.

A series of underwriting changes came into effect during the year, to help produce better client relations, fewer underwriting requirements, and faster issue of policies. New rules also were introduced for small policies, to streamline administrative procedures and encourage an increase in average policy size. In introducing these changes, London Life recognizes its responsibility to continue providing life insurance coverage at reasonable rates to all policyowners, in all income groups.

Responding to the growing need for competent insurance counselling, we are enriching our training programs to keep abreast of changing public demands. During 1974 we initiated a series of seminars across the nation for the district sales division on the total market concept. A program is also being developed to further improve our service to policyowners, by helping them gain greater awareness of how life insurance programs can be adjusted to meet their changing needs.

The group benefits division continued to show vigorous growth. Premiums received during 1974 amounted to almost \$95 million, an

increase of \$17 million over the previous year.

Group life insurance sales totalled \$504 million, a record amount and an increase of 44%. By year end, the amount of group life insurance in force reached almost \$4.6 billion, a gain of 19%. In November the overall premium structure was revised downwards, to reflect current experience and industry studies.

Health insurance — which fell substantially a few years ago with the entry of provincial governments into the medical services field — has recovered in recent years and is now at record levels. By the end of 1974, premiums in force reached \$46.5 million, up \$10.3 million over the previous year. Disability income premiums continued their remarkable growth and now amount to \$27.4 million, close to 60% of all health premiums. The remaining 40% was accounted for largely by Healthguard and similar supplementary health plans, together with the various dental plans. At year end, 4,218 employers insured their employees under our health plans, an increase of 162.

In group pensions, the interest rates on our fully guaranteed annuities were improved twice during 1974 and further improved at the beginning of 1975. Interest rates in the 10 years after purchase are now almost 9%. However, expense charges were also revised in early 1975, to partially reflect the higher costs of servicing the business. Reserves in group annuities reached \$210 million in 1974, up from \$189 million.

Assets of the three pooled investment funds for group retirement plans totalled \$28 million. Of this amount, the mortgage fund accounted for \$20.8 million, up from \$15.7 million. During 1974, for the first time in the five-year history of the mortgage fund, insufficient opportunities were available to place all new money in long term corporate mortgages. As a protection against possible decline in short term interest rates, some contributions were temporarily placed in long term, high quality bonds, which will be sold as opportunities in high quality corporate mortgages become available once again. Unit value of the mortgage fund was \$14.47 at year end, essentially the same as in 1973.

The two other pooled group investment funds, the fixed income fund and the equity fund, rose from \$6.7 to \$7.2 million. In a difficult year for stock markets, unit value of the equity fund fell 19% to \$18.79. Anticipating an eventual turnaround in equity markets, clients continued to purchase units of the fund during the year. Meantime, unit value of the fixed income fund remained virtually unchanged at \$17.82.

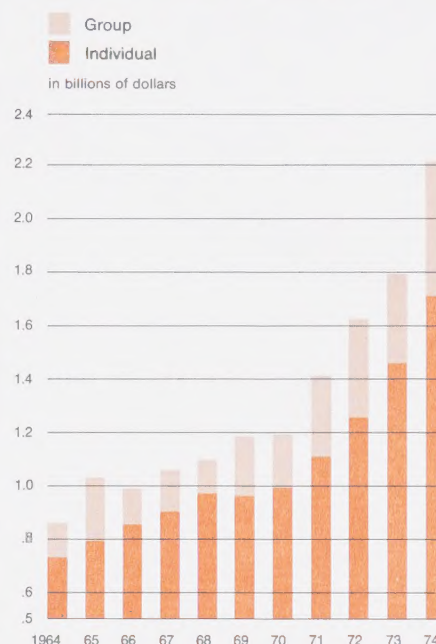
Total assets of the company reached \$2.188 billion in 1974, an increase of \$165 million.

In the life branch, we invested \$228 million during the year in mortgages and securities, at an average gross yield of 9.4%. Largely because of a high level both of policy loans and mortgage advances, cash and short term investments were \$29 million at year end, down from \$63 million in 1973.

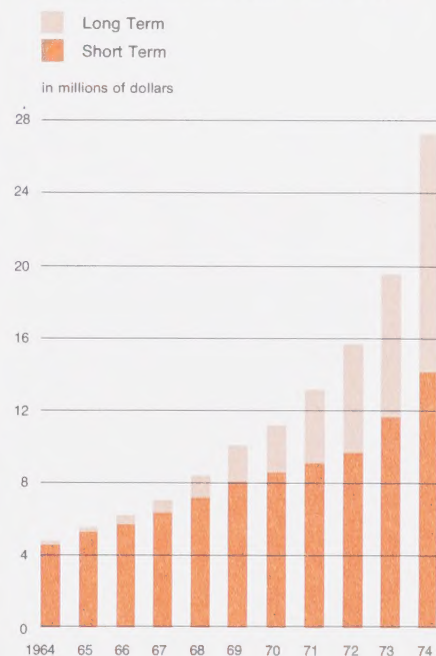
In a time of tight money and very high interest rates, policyowners increasingly turned to their insurance contracts as a ready source of funds. As a result, investment in policy loans increased 22% to almost \$145 million, cash surrenders of insurance grew 17% to almost \$31 million, and withdrawals of accumulated dividends on individual insurance rose 30% to \$36 million. We feel the loan privilege is a valuable feature of permanent plans, but a privilege which should be used only for emergency requirements. Unless arrangements are made to repay a loan, the accumulating interest will reduce the policyowner's benefits.

During the past six years, while our invested assets in the life branch grew \$629 million, we were able to invest \$1.1 billion in new long term

Growth of New Life Insurance Issued



Disability Premium Income in Force

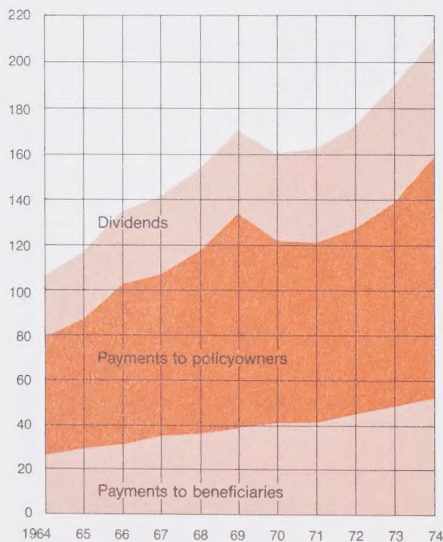


Interest Rates Earned



Benefits Paid to Policyowners and Beneficiaries

In millions of dollars



mortgages, securities and policy loans. In effect, we invested \$1.75 for every \$1 increase in assets, at gross yields averaging 8.45%, a historical record. In so doing, we improved our overall net investment return and partially offset the effects of higher expenses in an inflationary economy.

During 1974 the net interest rate earned after investment expenses rose in the regular life funds of the company from 7.04% to 7.30%, after excluding the pooled investment funds discussed elsewhere in this report. Moreover, the quality of our investment portfolio continues at the highest grade.

Benefits to policyowners and beneficiaries reached \$210 million in 1974, up \$21 million. Of the total, dividends to owners of participating and experience rated policies amounted to \$52 million, an increase of \$2 million.

A revision of the dividend scale, announced for 1975 for participating individual insurance and annuities, will reflect higher interest earnings, improved mortality and higher expenses. The overall effect of the change will be to reduce total dividends credited to individual policies in 1975 by about \$2.5 million or 5% from those that would have been paid on the 1974 scale. On some policies, the higher expense charges will cause some decrease in dividends from those payable under the previous scale. However on older policies and other policies with higher cash values, the improvements in interest and mortality profits credited will more than offset the increased expense charges. While the dividend per \$1,000 has decreased, the total dividends set aside for 1975 have, of course, increased because of the larger amount of insurance in force.

During 1974 mortality showed further improvement for individual insurance, particularly in the non-participating branch; experience in group insurance was about the same. With the growing number of policies in force, death benefits amounted to close to \$48 million, up \$3 million. Heart conditions, tumors and leukemia accounted for 64% of deaths, compared with 62% in 1973. Accidents and respiratory diseases declined from 21% to 20% of all deaths.

Overall, 1974 was a highly successful year. At a time of high sales volumes, investment in new business was substantial. Our earnings picture recovered somewhat in 1974 and further efforts will be made to continue this trend in 1975. Our financial position remains on a strong basis.

Executive Vice-President and
General Manager

Facts at a glance

100th Annual Report of London Life Insurance Company
for the year ended December 31, 1974

	1974	1973	% Increase
New life insurance issued	\$ 2,207,821,564	\$ 1,793,290,324	23.1
Individual policies	1,703,819,382	1,442,299,407	18.1
Group policies	504,002,182	350,990,917	43.6
Life insurance in force	\$16,957,267,720	\$14,995,521,366	13.1
Individual policies	12,394,211,780	11,162,969,089	11.0
Group policies	4,563,055,940	3,832,552,277	19.1
Increase in insurance in force	1,961,746,354	1,546,284,636	26.9
Life insurance premiums	\$ 212,452,547	\$ 194,480,400	9.2
Annuity premiums	\$ 49,183,748	\$ 41,631,818	18.1
Health insurance premiums	\$ 43,223,069	\$ 34,659,412	24.7
Dividends to policyowners	\$ 52,123,121	\$ 49,864,144	4.5
Total benefits to policyowners and beneficiaries	\$ 210,354,034	\$ 189,474,006	11.0
Total assets	\$ 2,187,981,343	\$ 2,023,495,809	8.1
Net earnings on investments	\$ 142,246,926	\$ 129,580,851	9.8
Rate of return on investments (life branch excluding segregated funds)	7.30%	7.04%	
Earnings per share credited to shareholders' account	\$3.09	\$2.95	
Dividends per share	\$2.00	\$1.80	

Balance sheet

	At December 31	
ASSETS	1974	1973
The Company has the following assets to meet its obligations to policyowners:		
Bonds and debentures <i>Valued at amortized cost less write-downs.</i>	\$ 428,821,350	\$ 420,174,873
Stocks <i>Valued at cost less write-downs.</i>	29,725,650	27,278,303
First mortgages and sale agreements <i>Amount of loans outstanding.</i>	1,478,359,636	1,364,892,401
Real estate:		
Income-producing properties <i>At cost less accumulated depreciation of \$4,850,844 (\$4,524,305 in 1973).</i>	8,454,244	5,412,900
Head office premises <i>At cost less accumulated depreciation of \$7,995,190 (\$7,595,190 in 1973).</i>	15,967,932	16,258,550
Loans on policies <i>These loans are fully secured by the cash value of the policies on which the respective loans are made.</i>	144,840,974	118,917,235
Cash	6,409,826	5,544,449
Electronic data processing equipment <i>At cost less accumulated depreciation of \$3,051,322 (\$2,969,368 in 1973).</i>	4,823,772	4,925,581
Premiums in course of collection	10,804,552	10,189,066
Accrued investment income	19,352,138	17,423,291
Segregated funds investments (note 4) <i>For group pensions and individual equity contracts, valued at market.</i>	38,368,647	30,218,339
Other assets	2,052,622	2,260,821
Total assets	\$2,187,981,343	\$2,023,495,809

(The attached "Notes to financial statements" are an integral part of this statement)

AUDITORS' REPORT

To the Policyowners, Shareholders and Directors of London Life Insurance Company.

We have examined the balance sheet of the London Life Insurance Company as at December 31, 1974 and the statement of income, and the statement of investment reserves and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the reserves and other liabilities under policy contracts were determined and certified by the Company's Chief Actuary.

At December 31

LIABILITIES, INVESTMENT RESERVES, CAPITAL AND RETAINED EARNINGS	1974	1973
The liabilities which the Company has assumed are:		
Policy reserves (note 2)	\$1,491,974,635	\$1,377,618,734
<i>This amount together with segregated funds policy reserves, future premiums and interest earnings provides for the payment of benefits promised on all policies in force.</i>		
Other obligations to policyowners:		
Dividends due and left by policyowners to accumulate	224,842,063	213,339,984
Proceeds of policies left on deposit for policyowners and beneficiaries	17,666,005	21,316,977
Provision for dividends payable to policyowners	49,306,603	48,335,829
Provision for unpaid and unreported claims	47,065,411	39,282,277
Premiums paid in advance	7,635,963	7,261,959
Staff pension and insurance reserves (note 5)	134,923,767	118,111,250
Prepaid taxes on mortgage accounts	13,545,685	13,574,738
Taxes, commissions, and other accounts due and accrued	11,664,395	8,153,068
Segregated funds policy reserves (note 4)	38,368,647	30,218,339
<i>For group pensions and individual equity contracts.</i>		
Other liabilities	4,496,257	4,233,929
	\$2,041,489,431	\$1,881,447,084
The investment reserves, capital and retained earnings provide additional security for policyowners and their beneficiaries:		
Investment reserves (note 3)	\$ 35,975,000	\$ 34,475,000
Capital stock:		
Authorized, issued and fully paid — 500,000 shares of \$2 par value	1,000,000	1,000,000
Retained earnings:		
Life branch — participating	63,438,812	64,370,496
— non-participating	40,886,661	37,771,449
Health branch	1,778,448	1,563,093
Shareholders' account	3,412,991	2,868,687
	\$ 146,491,912	\$ 142,048,725
Total liabilities, investment reserves, capital and retained earnings	\$2,187,981,343	\$2,023,495,809

In our opinion, based on our examination and the certificate of the Chief Actuary, these financial statements present fairly the financial position of the Company as at December 31, 1974 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada.

CLARKSON, GORDON & CO.,
Chartered Accountants

London, Canada, January 31, 1975.

Statement of income

For year ended December 31

	1974	1973
INCOME:		
Premiums (note 7)	\$322,485,567	\$287,676,680
Investment income less investment expenses of \$9,012,737 (\$8,351,188 in 1973)	142,246,926	129,580,851
	<u>\$464,732,493</u>	<u>\$417,257,531</u>
DISTRIBUTION:		
For policyowners and beneficiaries —		
Benefits under life insurance policies:		
Death	\$ 47,669,358	\$ 44,335,280
Disability	1,245,951	1,197,824
Matured endowments	6,826,326	6,759,407
Cash surrenders	30,922,619	26,414,168
Annuity benefits	25,747,623	23,059,632
Health insurance benefits	30,447,048	23,432,111
Interest on policy and contract funds	15,371,988	14,411,440
Additions to policy reserves	120,768,901	111,502,473
Additions to staff pension and insurance reserves	16,812,517	16,193,178
Additions to segregated funds policy reserves	8,150,308	7,125,228
For operating expenses —		
New insurance and field service to policyowners	55,133,985	49,887,622
Service to policyowners at head and regional offices	40,326,485	37,061,312
	<u>\$399,423,109</u>	<u>\$361,379,675</u>
Income from operations before dividends to policyowners and taxes	\$ 65,309,384	\$ 55,877,856
Dividends to policyowners	\$ 52,123,121	\$ 49,864,144
Premium taxes	4,140,432	3,557,324
Income taxes	6,179,006	5,457,854
	<u>\$ 62,442,559</u>	<u>\$ 58,879,322</u>
Net income (loss)	\$ 2,866,825	(\$ 3,001,466)
Analysis of net income (loss):		
Investment reserves	\$ 1,500,000	\$ 1,000,000
Life branch — participating	(2,330,625)	(6,318,023)
— non-participating	2,029,963	658,744
Health branch	123,183	182,801
Shareholders' account	1,544,304	1,475,012
Net income (loss)	\$ 2,866,825	(\$ 3,001,466)

(The attached "Notes to financial statements" are an integral part of this statement)

CERTIFICATE OF THE CHIEF ACTUARY

Policy reserves for annual premium life insurance policies have been determined on the net level premium basis and are in excess of the minimum modified reserves permitted as an alternative for such policies under the Canadian and British Insurance Companies Act. The total policy reserves shown in the Balance Sheet at December 31, 1974, including such reserves in the segregated funds, are in excess of those required under the Act and, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies. The reserves for and method of funding of the staff insurance and pension benefits have been determined using assumptions that are adequate and appropriate and methods consistent with the sound principles established by precedents or common usage within the actuarial profession.

L. B. FEWSTER, F.S.A., F.C.I.A.

January 31, 1975

Statement of investment reserves and retained earnings

For year ended December 31, 1974

	Investment reserves	Life branch participating	Life branch non- participating	Health branch	Shareholders' account (note 6)
Net income (loss) before transfers to shareholders' account	\$ 1,500,000	(\$ 1,027,958)	\$ 2,129,963	\$ 123,183	\$ 141,637
Transfers to shareholders' account		(1,302,667)	(100,000)		1,402,667
Net income (loss)	\$ 1,500,000	(\$ 2,330,625)	\$ 2,029,963	\$ 123,183	\$1,544,304
Shareholders' dividends					(1,000,000)
Adjustment of prior years' corporate income taxes		1,398,941	1,085,249	92,172	
	\$ 1,500,000	(\$ 931,684)	\$ 3,115,212	\$ 215,355	\$ 544,304
Balance, beginning of year	\$34,475,000	\$64,370,496	\$37,771,449	\$1,563,093	\$2,868,687
Balance, end of year	\$35,975,000	\$63,438,812	\$40,886,661	\$1,778,448	\$3,412,991

Notes to financial statements

1. Basis of accounting

The life and health insurance branches are combined in the accompanying financial statements which have been prepared in accordance with accounting principles prescribed or permitted by the Department of Insurance of Canada. The Department's requirements emphasize liquidity and solvency and accordingly provide that:

- (i) certain assets, such as office furniture and fixtures, amounts receivable from sales representatives and other non-admitted assets, are accounted for as expenses in the year acquired;
- (ii) the costs of acquiring business are accounted for as expenses in the year incurred rather than over the periods expected to be benefited;
- (iii) income taxes are calculated using the taxes payable method.

2. Policy reserves

The policy reserves are calculated on the net level premium basis. Under this basis, acquisition expenses are to be recovered throughout the premium period, whereas, as indicated in note 1 above, the costs of acquiring business must be accounted for as expenses in the year incurred. Net level premium reserves are in excess of the minimum modified reserves permitted by the Canadian and British Insurance Companies Act as an alternative to net level

premium reserves for life insurance policies. Such minimum modified reserves would provide a partial deferral of the impact of the high first year expense through permitting a reduction from the net level premium reserve in the first year compensated for by an increase in the net premium required for the balance of the premium period.

3. Asset valuation and investment reserves

The investment reserves amounting to \$35,975,000 represent appropriations of earnings to provide for fluctuations in asset values.

At December 31, 1974, bonds and stocks are shown in the balance sheet at values which are not in excess of amortized costs, but in the aggregate exceed the values permitted by the Canadian and British Insurance Companies Act by approximately \$9,900,000, provision for which is included in the investment reserves.

4. Segregated funds

The Company has five separate segregated funds, four for group pension and group deferred profit sharing plans and one for individual insurance policies. These funds have been set up in accordance with Section 81 of the Canadian and British Insurance Companies Act so that the Company may issue policies whose reserves vary in amount depending on the market value of a specified group of assets.

Notes to financial statements (continued)

5. Staff pension reserves

Increased pension benefits for employees effective from January 1, 1973 resulted in an unfunded liability with respect to the plan to be amortized by special payments over 16 years to 1988. Based on the valuation of the plan performed in 1974, the outstanding unfunded liability of the plan after recognizing special payments made to December 31, 1974 has been reduced to \$25,766,000 from \$27,600,000 at December 31, 1973.

6. Shareholders' account

Distributions of earnings to policyowners and shareholders are determined by the Board of Directors. The shareholders' portion of the distributable earnings in the life branch participating account is limited to a maximum of 2½% by the Canadian and British Insurance Companies Act. This amounted to \$1,302,667 in 1974 after dividends to participating policyowners of \$50,804,024. In addition, the shareholders' account was credited with \$141,637 of investment earnings and \$100,000 was transferred from the life branch non-participating account.

10 years of growth

(in thousands of dollars)

	1974	1973	1972
New life insurance issued	\$ 2,207,821	\$ 1,793,290	\$ 1,622,372
Individual policies	1,703,819	1,442,299	1,255,333
Group policies	504,002	350,991	367,039
Total life insurance in force	\$16,957,268	\$14,995,521	\$13,449,237
Individual policies	12,394,212	11,162,969	10,138,817
Group policies	4,563,056	3,832,552	3,310,420
Total assets	\$ 2,187,981	\$ 2,023,496	\$ 1,868,813
Rate of return on investments (life branch excluding segregated funds)	7.30%	7.04%	6.81%
Retained earnings	\$ 109,517	\$ 106,574	\$ 108,062
Premiums	\$ 322,486	\$ 287,677	\$ 248,656
Total benefits to policyowners and beneficiaries	\$ 210,354	\$ 189,474	\$ 172,123
Dividends to policyowners	\$ 52,123	\$ 49,864	\$ 45,187
Earnings per share credited to shareholders' account*	\$ 3.09	\$ 2.95	\$ 2.74
Dividends per share**	\$ 2.00	\$ 1.80	\$ 3.98
Number of shareholders at end of year	575	599	605

*Commencing in 1969 the total earnings of the Company were subject to corporate income tax in accordance with new taxation regulations; therefore the amount transferred to the shareholders' account was not subject to additional tax. Previously, income tax was levied only on the earnings in the shareholders' account.

**In 1972 there was included a special dividend of \$2.38.

7. Premiums

This income was derived as follows:

	1974	1973
Life Insurance —		
Participating	\$189,332,214	\$173,277,409
Non-participating	23,120,333	21,202,991
Annuities —		
Participating	16,673,077	12,698,691
Non-participating	29,751,242	25,890,280
Settlement	2,759,429	3,042,847
Health insurance	43,223,069	34,659,412
Staff funds —		
Life and health	2,421,203	2,707,131
Pension	15,205,000	14,197,919
	<u>\$322,485,567</u>	<u>\$287,676,680</u>

8. Accounts classification

The groupings of accounts for the 1973 year have been changed to conform with those adopted for 1974.

1971	1970	1969	1968	1967	1966	1965
\$ 1,405,056	\$ 1,193,396	\$ 1,184,220	\$ 1,093,467	\$1,052,522	\$ 994,592	\$1,027,642
1,101,537	986,761	959,815	967,622	894,834	848,987	793,408
303,519	206,635	224,405	125,845	157,688	145,605	234,234
\$12,353,618	\$11,417,268	\$10,820,297	\$10,181,437	\$9,443,271	\$8,696,738	\$8,043,786
9,350,581	8,780,956	8,369,438	7,948,408	7,405,714	6,884,407	6,382,748
3,003,037	2,636,312	2,450,859	2,233,029	2,037,557	1,812,331	1,661,038
\$ 1,731,395	\$ 1,628,857	\$ 1,546,439	\$ 1,484,929	\$1,388,904	\$1,295,085	\$1,205,726
6.63%	6.52%	6.37%	6.18%	6.01%	5.93%	5.75%
\$ 106,367	\$ 103,279	\$ 98,717	\$ 94,435	\$ 86,586	\$ 78,723	\$ 71,109
\$ 224,268	\$ 207,953	\$ 208,131	\$ 202,048	\$ 189,968	\$ 179,877	\$ 175,371
\$ 162,512	\$ 160,263	\$ 171,910	\$ 153,802	\$ 141,599	\$ 134,586	\$ 117,572
\$ 42,416	\$ 39,465	\$ 36,858	\$ 36,259	\$ 34,931	\$ 32,080	\$ 29,622
\$ 2.35	\$ 2.22	\$ 2.06	\$ 1.11	\$ 1.00	\$.93	\$.92
\$ 1.40	\$ 1.20	\$ 1.00	\$.94	\$.88	\$.84	\$.80
627	623	582	579	615	631	523

Our first financial statement

This statement was one of three pages in the first London Life annual report.

ABSTRACT OF THE AFFAIRS
OF THE
London Life Insurance Company
OF LONDON, ONTARIO,
Incorporated under Charter of the Ontario Legislature,
From the 1st of May, 1874, to the 31st of December, 1875.

Total Receipts from May 1, '74, to Dec. 31, '75.		Total Expenditure from May 1st, '74, to Dec. 31, '75.	
To cash paid on capital account..	\$22420 00	By Cash invested in Stocks and Mortgages.....	\$25401 13
" Life Premiums	15457 78	" General Expense Account—	
" Interest on Life Deferred Pre-		Salaries, Agent's Travelling	
miums.....	148 27	Expenses, cost of procuring	
" Accident Premiums.....	2248 31	Charter, Office Furniture,	
" Income from Investments....	2270 26	and all other preliminary	
" Agent's commission returned..	26 00	expenses to date.....	9996 68
		" Agent's commission.....	1120 24
		" Medical Examiner's Fees....	1412 50
		" Postage and Stamps.....	103 78
		" Printing, Stationery and Ad-	
		vertising.....	1436 78
		" Returned Life Premium for	
		Policy Given up.....	28 50
		" Life Policy Claims.....	1000 00
		" Accident Indemnity Claims..	122 00
		Balance Cash in Molsons Bank..	1949 01
			<u>\$42570 62</u>
			<u>\$42570 62</u>
Assets at Dec. 31, 1875,		Liabilities at Dec. 31, 1875,	
Investments as under.....	\$25401 13	To Stockholders.....	\$22420 00
Cash in Molsons Bank.....	1949 01	Reserve required to reinsure the	
Premium Notes.....	1592 53	384 Life Policies in force at	
Deferred ½-yearly and		31st Dec., 1875, on the basis	
quarterly prem...\$2773 77		of the Carlisle Tables of	
Less cost of collection		Mortality, and interest at 5	
at 15 per cent....	341 05	per cent., and 149 Accident	
Interest accrued on Stock to 31st	2432 72	Policies in force at same	
December, 1875.....	698 75	date.....	13534 18
Interest accrued on Mortgages to			
31st December, 1875.....	61 12		
Balance.....	\$32135 26		
	3818 92		
	<u>\$35954 18</u>		<u>\$35954 18</u>
		Balance to debit of Profit and	
		Loss Account.....	3818 92

To the President and Directors of the London Life Insurance Co.,
GENTLEMEN,—

We hereby certify that we have carefully audited the books and accounts of the London Life Insurance Company from its formation up to the 31st December, 1875, and that we have had produced to us Vouchers for all payments, and that the assets, in the shape of Mortgages, Stocks, and Premium Notes have been severally produced, and that they agree with the books and accompanying balance sheet, and that the Statement of receipts and disbursements are correct, as shown by the books of the Company,

Funny, we don't feel 100.

Head office employee Ruth Branton joined Capt. Joseph Jeffery to blow out a candle on the company's centennial birthday cake at a staff luncheon May 1. The luncheon in London marked the beginning of a year-long series of centennial activities across Canada.



London Life is involved with many Canadians — employees and others — in countless ways. The five people on these pages have been singled out from thousands coast to coast for comments on their association with London Life during the company's centennial year.



George B. Binns

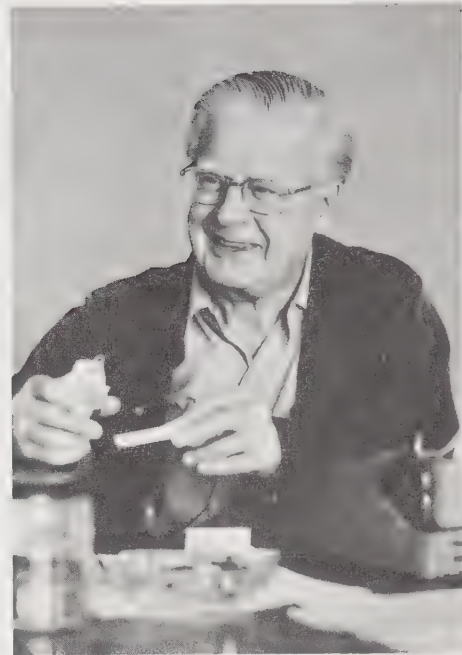
Retired group benefits manager
Victoria, B.C.

George Binns' connection with London Life dates back to shortly after his birth in 1898, when his grandmother bought him a 20-year \$100 London Life policy. It cost 10 cents a week, a considerable sum for her in those days. In 25 years of working for London Life and through more than 12 years of retirement, George has seen the company's burgeoning growth.

"I enjoyed my active years with the company not only in a business sense, but also because of the many good friends I met," he said.

"The company certainly has grown since I was there, and a long way since my grandmother bought that policy. Nobody is more proud than I am to watch this continuing tremendous growth.

"It's just amazing. It makes me feel I was born 50 years too soon. I'd like to start all over again."



Robert Thomas Allen

Canadian author

Writing in London Life's commemorative centennial book, author Robert Thomas Allen described the scope and complexity of the company's operations, then continued, "Beneath this other worldly organization and technology are real people with wrinkled suits and human emotions."

And his original feelings stayed with him. After the book was completed, Mr. Allen said, "My first impression was the *size* of the company. It was big, but not impersonal. I found a very good feeling among all the employees I talked to . . . a kind of old-fashioned loyalty and an enjoyment in their work. And outside the company, people know that London Life is a good, solid company."



Nancy Gormley

Regional office employee
Saint John, N.B.

Nancy completed her first year with London Life just about the time the company completed its first century. To Nancy, the special qualities of the centennial year were only one highlight in her pleasure at being part of the organization.

"It's really great to be working for London Life. I see a lot of people who come into the office — making payments and so forth. It's a real pleasure working with the public when you know that the company's policy is to do the best we can for our customers.

"The representatives and other people in the office are easy to get along with. We all know what has to be done, and we enjoy our work.

"That's the way it's been during the centennial year . . . and, I guess, all through the hundred years that London Life has been in business."



Harry Cox, CLU

Sales representative
Lethbridge

Providing London Life service to people in Southern Alberta has been Harry Cox's career for more than 17 years.

"Any company that stays in business for 100 years and does as well as London Life," he says, "has to be a stable kind of organization. And that's what the people I work with are looking for when they plan their futures.

"Our kind of service is great. The company backs me up in everything I try to do. London Life has a fine reputation and a lot of prestige with the public. And we've got a darned good product line. That's why people buy, and why I can sell."



Pierre Elliott Trudeau

Prime Minister of Canada

On May 13, as part of centennial year festivities, London Life directors and senior management hosted members of the federal cabinet of Canada at a luncheon reception in Ottawa. Later that month at an anniversary celebration in London, remarks by Prime Minister Pierre Elliott Trudeau were read on his behalf.

"London Life," he said, "from its small beginning in 1874 to its present stature of a major Canadian financial institution, is an outstanding example of what Canadian organization and initiative can accomplish. The fact that the London Life now has over \$15 billion of life insurance in force and in excess of \$2 billion in assets gives tangible evidence of the great extent to which the people of Canada are prepared to entrust their security and future well-being to your hands."

A glimpse of a century's heritage

Through the pages of the past, a common thread with the present is evident in all areas of London Life's operations.



Marketing

In the marketing of life insurance products, sales figures alone cannot determine success. The importance of conservation through quality, of determining the true needs of individuals and recommending long-term solutions has always been stressed by London Life's marketing force. These can be achieved only through sound management, careful recruitment and progressive staff development. In the early years, sales representatives spent arduous effort in learning about the products of their time, when group benefits and government insurance plans were still unknown. Today an emphasis on sales management leadership is maintained in all three marketing divisions in the company.





Investment

From its earliest days, London Life's investment portfolio has been weighted heavily in favor of residential mortgages, helping provide housing for Canadians. The emphasis in *styles* of housing has changed with the times, reflecting the shift from agricultural to urban economy. As the railroads opened the country to settlement, the company often invested its early policyowner funds in farm homesteads. Typical of current investment projects is the 43-storey twin Leaside Towers in Toronto, in which London Life also has half ownership.





Communications

Providing accurate information promptly to policyowners has always been part of the London Life creed. To achieve this goal, the company has been a forerunner in the adoption of new systems and methods throughout the years. The 1920 mechanical sorting machine was the first such company installation of the then-young IBM Corporation. Today the Model 168 computer, among the largest System/370 Canadian installations outside of government, is the focus of a growing company-wide communications network that provides an instantaneous link between regional offices and the company's head office.



Administrative officers

Actuarial

J. C. McKibbin
Actuary

J. A. Mereu
Actuary, Product Development

I. R. Taylor
Actuary

G. G. Cameron
Research Actuary

Administration Regional Offices

R. L. Low
Administration Executive
Regional Offices

Claims

G. W. Morrow
Claims Services Executive

Communication Services

J. B. Chick
Communication Services
Executive

Comptroller

J. C. A. Macdonald
Comptroller

Group Insurance

A. M. Bayly
Group Insurance Actuary

Group Pension

R. G. Mephram
Group Pension Actuary

Information Systems

W. H. Thomson
Information Systems Executive

Insurance Services

S. P. Geddes
Insurance Services Executive

Marketing

D. A. Smith
Director of Marketing

T. Orr
Director of Consumer Affairs

District Sales Division

A. E. Bennett
Director of Marketing

C. G. Chenier
Associate Director of Marketing
(Montreal)

W. H. Gleed
Associate Director of Marketing
(Toronto)

General Sales Division

D. K. Shales
Director of Marketing

J. A. Fowler
Associate Director of Marketing

Medical

J. S. Winder, M.D.
Medical Director

J. B. Walker, M.D.
Associate Medical Director

Mortgage

R. D. Abercromby
Mortgage Executive

Personnel

W. A. McCoy
Personnel Executive

Securities

G. A. Gloin
Securities Executive

Staff Health

N. J. England, M.D.
Staff Health Physician

Underwriting and Issue

M. E. Comfort
Underwriting Executive

Regional offices

London Life maintains a network of more than 120 offices across the nation. These offices provide service for both individual and group coverage, and for the administration of London Life's extensive mortgage operations.

British Columbia

New Westminster
Vancouver (6 offices)
Victoria

Alberta

Calgary (6 offices)
Edmonton (4 offices)
Lethbridge
Medicine Hat

Saskatchewan

Moose Jaw
Regina
Saskatoon

Manitoba

Winnipeg (5 offices)

Ontario

Barrie
Belleville
Brampton (2 offices)
Brantford
Brockville
Cambridge
Chatham
Cornwall
Guelph
Hamilton (6 offices)
Kingston (2 offices)
Kirkland Lake
Kitchener
London (5 offices)
Niagara Falls
North Bay
Oakville
Orillia
Oshawa
Ottawa (4 offices)
Peterborough
St. Catharines
St. Thomas
Sarnia
Sault Ste. Marie
Stratford
Sudbury (2 offices)
Thunder Bay
Timmins
Toronto (15 offices)
Welland
Windsor (2 offices)
Woodstock

Quebec

Montreal (18 offices)
Rouyn-Noranda
Sherbrooke
St. Hyacinthe
Val d'Or

New Brunswick

Moncton (2 offices)
Saint John

Nova Scotia

Dartmouth
Halifax (3 offices)
Middleton
Sydney

London Life Insurance Company
Head Office | London Canada

